

Investments in Early Childhood:

An essential industry that is both good for business and vital to Montana's economy



EXECUTIVE SUMMARY | MAY 2008

The early care and childhood industry is the care and education of children from birth through age eight, focusing on the developmental needs of young children and their families through a variety of settings including child care centers, preschools, Head Start, and family and group homes, outside of the public K–12 school system. Early care and education:

- Generates \$143.4 million annually and provides more than 6,600 full-time equivalent jobs
- Builds a ready workforce for the future, laying the groundwork for Montana's future economic success
- Benefits all industries throughout Montana by enabling parents—one of every ten workers—to work productively or attend school or training, which ensures a well-prepared and ready workforce for today
- Increases school readiness and improves K-12 outcomes
- Provides safe learning environments for some of the 68,400 children whose parents work; 64 percent of all young children have working parents

Everyone benefits from Montana's early care and education industry. Building partnerships ensures that there is a high-quality and affordable early childhood system for all of Montana's families.



“This topic is very much on the minds of the businesses in our area. We’re exploring the idea of a coop facility...our local businesses are focusing on this more because it enables workers already in this market to get into the workforce.”

—JOE UNTERREINER,
Kalispell Chamber of Commerce



“...studies find that well-focused investments in early childhood development yield high public as well as private returns.”

—ARTHUR ROLNICK, Senior Vice President and
Director of Research; AND ROB GRUNEWALD,
Regional Economic Analyst, Federal Reserve
Bank of Minneapolis



The early care and education industry is an economic driver in Montana

Early care and education enables parents to be part of Montana’s workforce and upgrade their skills

- There are 55,000 workers in Montana who are also parents of children between birth and age eight. Together these parents earn more than \$2.2 billion every year. A strong early care and education system offers parents options for how they choose to balance the responsibilities of raising their children and providing for them.
- Funded early care and education programs on school campuses enable working parents to update their skills while their children are in quality educational environments. Research studies find that student parents who use available on-campus child care programs have higher grade point averages; are more likely to remain in school and graduate in fewer years; and have higher graduation rates than their campus counterparts. The Associated Students of the University of Montana run ASUM Childcare and Pre-School, allowing students to attend school, and faculty and staff to have access to quality child care. (<http://www.umt.edu/childcare/>)
- In a survey, six out of ten Montana business leaders report that child care is “very” or “extremely” important to help employees get to and be productive at work.

The early care and education industry supports employee productivity in many Montana work sectors

- Parents of young children without safe, affordable options for caring for their children may leave their jobs, costing businesses money for recruitment and retraining and forcing them to lose skilled workers. Turnover costs for staff are over \$9,000 for employees earning \$8 per hour, and 150 percent of the salary of salaried employees. In a region with low unemployment like Montana today, turnover costs run even higher.
- More than one fifth of all unscheduled absences from work are due to family issues, costing businesses money and productivity. Offering options for parents with sick children reduces unscheduled absenteeism and saves businesses money.
- Stable early care and education encourages workers to focus on their jobs. **PrintingForLess.com** in Livingston offers child care benefits because in a company where even small losses in productivity are costly, it allows employees to focus on their jobs.
- Businesses with strong early care and education benefits are more prepared to recruit the best and brightest more easily. **St. Peter’s Hospital** in Helena offers an on-site program in part to boost recruitment.
- Early care and education benefits help everyone. Employees without young children report that their work environment would improve if their employer offered early care and education benefits. Access to convenient and reliable early care and education is also an attractive benefit for employees without young children because they do not need to cover for their peers during unscheduled absences.
- There are early care and education options for employers of all sizes across all parts of Montana, such as flexible work hours, pre-tax spending plans, tele-commuting, and paid parental leave.

The early care and education industry enables future economic success in Montana

Early care and education is a foundation of a ready workforce

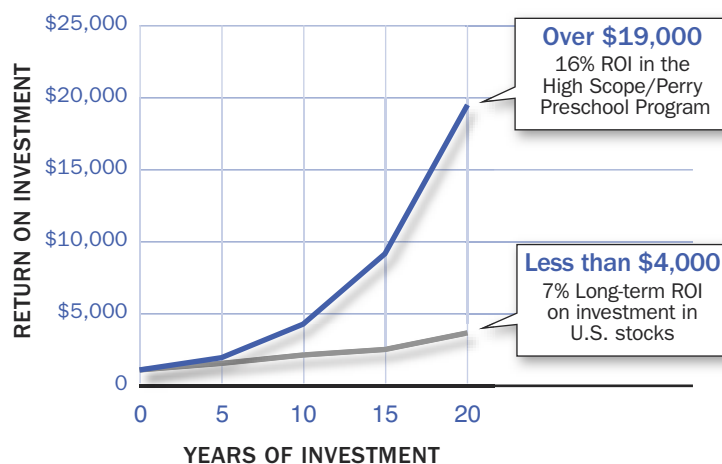
- In a survey, three-quarters of Montana's business leaders responded in a survey that early care and education is "extremely important" or "very important" in preparing children for school.
- Quality early care and education programs boost success in K-12, and are an important part of Montana's education system, which must meet the rigorous demands of a knowledge-based economy. Research shows that children in high-quality preschool settings show greater language development, mathematical ability, and thinking and attention skills in kindergarten than children in lower quality care settings.
- Long-term studies show that quality early childhood programs increase positive outcomes in adulthood, such as owning a home and having a job, and decrease negative outcomes, such as dropping out of high school and being arrested for violent crimes. Early care and education can help lower Montana's high school dropout rate.
- The availability and quality of early care and education hinge on two key factors: qualified and nurturing caregivers, and a safe and healthy, environment that is designed to help children at that age to learn effectively.

Early care and education provides a positive rate of return on investments

- The research on quality programs shows that quality early childhood programs can save taxpayer dollars by decreasing the need for special education and lowering rates of juvenile delinquency, adult incarceration, and welfare participation. This also increases the quality of life for all citizens.
- The Federal Reserve Bank in Minneapolis analyzed rates of return from investing in a model early childhood program for low-income children. They found a 16 percent rate of return on investment—considerably higher than the long-term return from U.S. stocks of 7 percent (see Figure 3).

Figure 3

RETURN ON \$1,000 INVESTMENT, HIGH SCOPE/PERRY PRESCHOOL PROGRAM VS. U.S. STOCKS



Source: Rolnick and Grunewald, 2003. Both rates are adjusted for inflation.

"Most montana businesses are small and do not have the advantage of delegating child care concerns to a human resource department. Consequently they may be unaware of available resources and how to access them. It is important that guides specifically geared to small businesses be distributed to them."

—DAN MILES, Governor's State Workforce Investment Board and Summit Valley Title Company, Butte



"On-site, reliable, convenient, high-quality and affordable child care acts as an attractive enticement tool during the recruitment process."

—JANE MORELL-HART, Coordinator of Pete's Place Child Care Center at St. Peter's Hospital, Helena

Early care and education is a vital part of Montana's education system

Early care and education includes a diverse array of programs in Montana that offer care and education to children between birth and age eight outside traditional public school (K-12) education. At a glance:

- Number of children between birth and age eight: **103,000, 11% of the Montana population**
- Number of children who live in families in which every parent works: **68,400 children, 64% of all children**
- Number of registered and licensed early care and education programs: **1,200**
- Number of slots of children provided by these establishments: **20,000**

These statistics show that less than one third of children with working parents can attend licensed and registered early care and education programs. Other families must find help from relatives or friends, in-home providers, or adjust work schedules so they can care for their children.

"Businesses are having a hard time finding, and keeping, good employees. Each time we lose an employee due to childcare issues, we have lost a significant investment in time and training. It make sense for us to be creative and find ways to keep our good employees."

— DALE MAHUGH, Montana Early Childhood Advisory Council Chair and NorthWestern Energy

Early care and education is a significant industry in Montana

The early care and education industry generates **\$143.4 million** annually in gross receipts—the total amount of dollars flowing into the sector in the form of payments for care, including both parent fees and private and public investments. (see Figure 1)

Early care and education directly supports more than 6,600 jobs, employing more people than all nursing care facilities and nonresidential building construction. (see Figure 2)

The effects of early care and education ripple through the economy, creating an additional **\$126.2 million** and 3,570 jobs because early care and education businesses and workers make local purchases, further boosting Montana's economy.

Figure 1

2007 GROSS RECEIPTS OF VARIOUS INDUSTRIES IN MONTANA

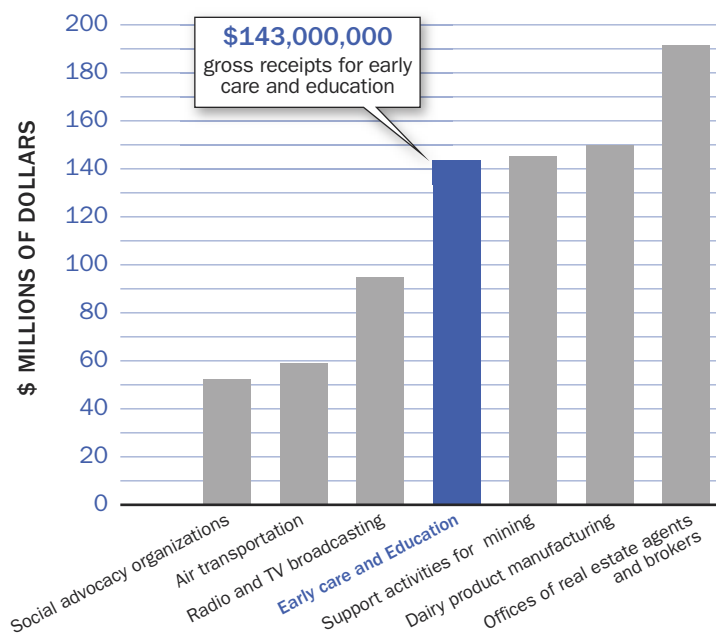
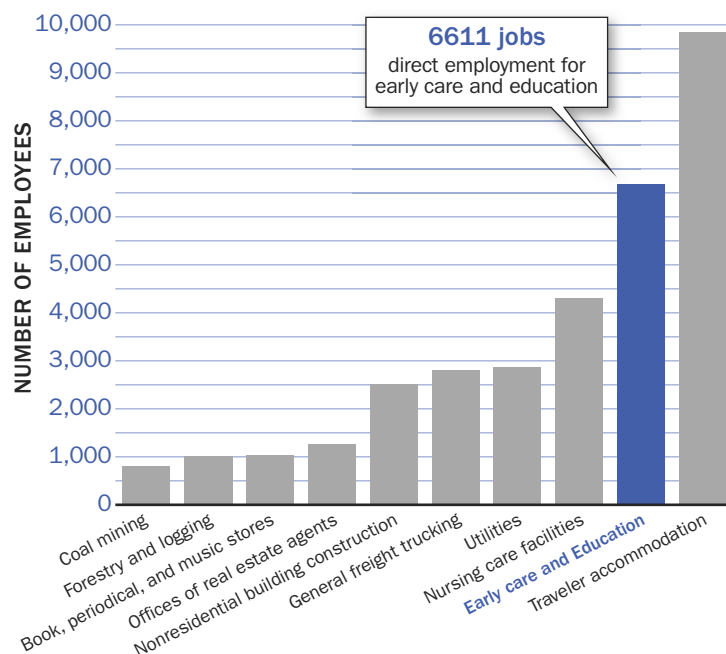


Figure 2

2007 DIRECT EMPLOYMENT BY VARIOUS INDUSTRIES IN MONTANA



Recommendations

Based on the findings in this report, there are three main areas in which Montanans can benefit from working together to strengthen the industry and its impacts. Partnerships by stakeholders have the potential to:

- Enhance the affordability and accessibility of quality early care and education.
- Improve the quality and sustainability of existing early care and education businesses.
- Increase the number of formal early care and education spaces available to parents and their children.

Within each of these broad recommendations, there are specific actions that businesses, community, governments (local, state, and tribal), and the early care and education industry itself can take to move Montana forward:

What business can do:

- Become early care and education advocates to colleagues and in local, state, tribal, and national government.
- Promote federal, state, and tribal financing mechanisms, such as endowments or federal and state tax credits.
- Support quality improvement initiatives, such as Best Beginnings quality improvements.
- Support providers' education attainment, skills training, and compensation.
- Participate on local early care and education planning boards, such as School Readiness Community Teams, Early Learning Councils, Boards of local resource and referral agencies and non-profit providers.
- Support facilities development, renovation, and expansion through individual investment or supporting a funding pool.
- Incorporate early care and education into residential or commercial building development projects.
- Address employees' early care and education needs.

What government can do:

- Implement a more comprehensive sliding scale of tuition assistance eligibility.
- Continue to boost providers' education and training attainment and increased compensation.
- Enhance relations between the State of Montana and tribal nations for the benefit of children.
- Educate others about the economic impact of early care and education.
- Increase public investment in quality initiatives, such as Best Beginnings quality initiatives at the Early Childhood Services Bureau.
- Link early care and education entrepreneurs to business development services, such as the Business Resources Division of the Montana Department of Commerce.
- Implement new federal, state, and tribal financing mechanisms, such as endowments or federal and state tax credits.
- Integrate early care and education into regional and local planning, such as the Big Sky Economic Development Trust Fund and the Montana Main Street Program.



"Our Tribe offers a parenting education component to our child care block grant program. That is an investment in parents and children's well being"

—TERESA WALL-MCDONALD, Policy Analyst,
Confederated Salish and Kootenai Tribes

What the early care and education industry can do:

- Lower costs by making shared purchases through a consortium or trade association.
- Meet the market demand for care during non-traditional hours.
- Build public awareness about the economic importance of early care and education.
- Encourage educational attainment by early care and education workforce.
- Continue to boost providers' education attainment, skills training, and compensation.
- Integrate in-home providers into the early care and education industry.
- Join local economic development and downtown business boards and Chambers of Commerce.
- Increase the number of family child care home businesses.

About this report

This report was produced by the **Insight Center for Community Economic Development**, a national research, consulting and legal organization dedicated to building economic health and opportunity in vulnerable communities. The Insight Center was formerly known as the National Economic Development and Law Center. Learn more about the Insight Center at www.insightcced.org.

This report is the result of a unique collaboration between the **Dennis and Phyllis Washington Foundation**, the **Montana Department of Public Health and Human Services Early Childhood Services Bureau**, the **Governor's Office of Economic Development**, and the **Governor's Education Initiative**. Together these partners formed a technical committee, who provided expertise around the data for this report. The Technical Committee included representatives from:

- The Center on Inclusion in Early Childhood
- Department of Public Health and Human Services, Early Childhood Services Bureau
- Montana Office of Public Instruction
- Developmental Disabilities Program, Community Services Bureau
- Governor's Office of Economic Development
- Montana Department of Labor and Industry, Research and Analysis Bureau
- Montana Early Childhood Project, Montana State University
- Montana Economic Development Association
- Montana Head Start Office
- Office of Governor Brian Schweitzer
- Governor's Office of Indian Affairs
- University of Montana, Bureau of Business and Economic Research



**DENNIS & PHYLLIS
WASHINGTON
FOUNDATION**



GOVERNOR BRIAN SCHWEITZER

The authors and the partners wish to thank the following Montana leaders for reviewing and commenting on this report and its findings:

Jim Davison, *Anaconda Local Development Corporation, Anaconda*
Kelley Evans, *Beartooth Hospital, Red Lodge*
Andrew Field, *PrintingForLess.com, Livingston*
Jacqueline Helt, *State Workforce Investment Board and SEIU Healthcare 775 NW, Helena*
Maureen Kenneally, *Town Pump/Lucky Lil's, Butte*
Dick King, *Missoula Area Economic Development Corporation, Missoula*
Lyle Knight, *First Interstate Bank, Billings*
Dale Mahugh, *Montana Early Childhood Advisory Council, and NorthWestern Energy, Butte*

Dan Miles, *Governor's State Workforce Investment Board and Summit Valley Title Company, Butte*
Lawrence Mires, *St. Mary's Rehabilitation Project, Glasgow*
Terry Lynn Minow, *MEA-MFT, Helena*
Larry Noonan, *A.W.A.R.E. Inc., Butte*
John Porterfield, *Porter Block, Whitefish*
Melanie Reynolds, *Lewis and Clark Health Department, Helena*
Kelly Rosenleaf, *Child Care Resources, Missoula*
Kay Satre, *Carroll College, Helena*
Jon Satre, *Gordon-Prill-Drapes, Inc., Helena*
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This document was printed at state expense. Information on the cost of the publication can be obtained by writing to the Montana Office of Economic Development.
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